

SPECIAL NOTICE

December 21, 2006

For further information contact:
Telephone Information Center
1-800-647-7706 or (360) 705-6676

Alternate Formats (360) 705-6715
Teletype 1-800-451-7985

Semiconductor Materials Manufacturers Tax Incentives (SHB 3190 Chapter 84, Laws of 2006)

The business and occupation (B&O) tax rate for persons engaged in manufacturing or processing for hire semiconductor materials is reduced to 0.275 percent effective December 1, 2006. The term “semiconductor materials” means silicon crystals, silicon ingots, raw polished semiconductor wafers, and compound semiconductor wafers.

In addition, sales of gases and chemicals used by a manufacturer or processor for hire in the production of semiconductor materials are now exempt from retail sales tax and use tax. This exemption is limited to gases and chemicals used:

- in the production process to grow the product,
- to deposit or grow permanent or sacrificial layers on the product,
- to etch or remove material from the product,
- to anneal the product,
- to immerse the product,
- to clean the product,
- for other such uses whereby the gases and chemicals come into direct contact with the product during the production process, or
- to clean the chambers and other like equipment in which such processing takes place.

Anyone making tax exempt purchases of gases and chemicals must provide the vendor with a properly completed Buyers' Retail Sales Tax Exemption Certificate (Form REV 27 0032). The certificate is available on our web site at <http://dor.wa.gov>.

Annual Report Required

Anyone taking advantage of the lower B&O tax rate or the sales and use tax exemption must file an Annual Report (Form REV 81 1015) detailing employment, wages, and employer-provided health and retirement benefits per job at the manufacturing site. The report is due by April 30 following any year in which the incentives are taken.

For the first calendar year in which the tax incentives are taken, you must file an Annual Report for the calendar year immediately before first use of the tax incentives *and* a second Annual Report for the calendar year in which the tax incentives are first used.

If you fail to submit a complete Annual Report by the due date, the taxes exempted or reduced for that year shall be immediately due and payable. The excise taxes will be subject to interest but not penalties.

The information provided on the Annual Report is not covered under the confidentiality provisions of RCW 82.32.330 and may be disclosed to the public upon request.

Electronic Filing Required

All reports, and other such documents as may be required by the Department of Revenue to take advantage of the lower B&O tax rate or the sales and use tax exemption must be filed electronically.

These tax incentives expire December 1, 2018.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 705-6715. Teletype (TTY) users please call 1-800-451-7985.